



Sales and Use Tax Program Overview



Board Of Equalization
Local Revenue Allocation Unit

Presenters

▶ Jim Schwartzenberger

- ▶ Local Revenue Allocation Section
- ▶ Return Processing and Allocation Teams
- ▶ CA Board of Equalization

▶ John Bardessono

- ▶ Local Revenue Allocation Section
- ▶ Jurisdiction Services and Revenue Verification
 - Local Teams
- ▶ CA Board of Equalization



Distribution to Local Jurisdictions

- ▶ Registration
- ▶ Adjustments
- ▶ Reallocations



Registration

- ▶ Report Unregistered Sellers to BOE
 - ▶ Owner Name
 - ▶ Complete Address for Sales Location
 - ▶ Contact Info (Name and Phone)
 - ▶ Brief Description of Items Sold
- ▶ Statewide Compliance and Outreach Program (SCOP)
 - ▶ SUTD-SCOPCoordinators@boe.ca.gov



Return Processing

- ▶ January
 - ▶ Tax Collected
- ▶ February
 - ▶ Tax Reported to BOE
- ▶ February-March
 - ▶ Return and Payment Processed
- ▶ April
 - ▶ Payment to Jurisdictions



Adjustments

- ▶ Quarterly Return Processing Cycle
 - ▶ Occurs the month before Quarterly Unload
 - ▶ Example: February for March Unload
 - ▶ During the Return Processing Cycle, system edits identify return errors such as:
 - ▶ Missing Allocations (out of balance)
 - ▶ Allocation Inconsistencies
 - ▶ Missing Detail That Affects Local, County, and District Tax Allocations
 - ▶ Audit Staff Contact Taxpayers on Significant Concerns Prior to Unload
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Reallocations

- ▶ Excess of \$50/period
- ▶ Typical authorized reallocations based on factual data established by a formal date of knowledge per Regulation 1807
- ▶ Date of Knowledge established by Local Jurisdictions, their consultants, and/or BOE staff
- ▶ Refunds are not considered redistribution and are not subject to the appeals process



Reallocations

- ▶ Significant Reallocation requires notification to affected jurisdiction when reallocation exceeds \$50,000
- ▶ Jurisdiction may petition the reallocation by notifying, in writing, the Allocation Group within 30 days of the reallocation notification letter
 - ▶ Proposed reallocation will be deferred
- ▶ Losing jurisdiction may request mitigation as discussed in notification letter
 - ▶ Typically requires winning jurisdiction to agree



Timing of Local Tax Distributions

- ▶ Allocation Calendar
 - ▶ Defines warrant dates and allocation periods
- ▶ <http://www.boe.ca.gov/sutax/localdist.htm>

Local Jurisdictions

If you represent a city, county, city and county or special tax district, the following will help you understand the local tax allocation process. Additional information is available below. Procedures for jurisdiction review of BOE records and BOE review of local and district tax reallocation petitions are available in the Procedures Manual [Chapter 9, Miscellaneous](#).

Distribution Information

- ➔ [Local Tax Statement of Distributions](#)
- ➔ [Notification Threshold List](#)
- ➔ Allocation Calendar
 - ➔ Current
 - ➔ [Allocation Calendar \(Sch. A1\)](#)
 - ➔ [Return Period Calendar \(Sch. B1\)](#)



Advances

- ▶ Like quarter of the prior year
 - ▶ Adjustments
- ▶ 90% of the adjusted base amount
- ▶ Three installments
 - ▶ 30%, 30% and 40% respectively
- ▶ Reconciliation or “Clean Up”
- ▶ Clean Ups
 - ▶ Collections less advances & Admin fees
 - ▶ Approximately 10% of projected revenues



Payments / Refunds

- ▶ Fund in the Allocation Period in which they are received
- ▶ Refunds or amounts returned to taxpayers are de-allocated in the period that the credit is deallocated



Allocation of Use Tax

- ▶ Direct Payment Permits
 - ▶ Purchases Subject to Use Tax
 - ▶ Use Tax reported by DMV on private party transactions of vehicles
 - ▶ Use Tax reported to FTB on Income Tax Returns
 - ▶ Use tax allocation for SR, SR Y with unregistered locations
 - ▶ County and Statewide Pools
 - ▶ Local Use Tax vs. District Use Tax
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Use Tax Allocation for SR, SR Y With Unregistered Locations

- ▶ In general, when allocating use tax, if the place of use can be identified with a registered business location, the local use tax is allocated “Directly” to this location
- ▶ Accounts with SR or SR Y TAT’s do not receive Schedule B and therefore allocate use tax for transactions < \$500,000 to the place of use associated with the registered selling location
- ▶ These accounts may be coded to receive Schedule F so that they are able to allocate Use Tax for transactions \geq \$500,000 directly to non-selling locations where first functional use occurs



County and Statewide Pools

- ▶ If the place of use can not be identified with a registered business location
- ▶ Use tax transaction is $< \$500,000$:
 - ▶ local use tax is allocated to the county or statewide pool
- ▶ Use tax transaction is $\geq \$500,000$:
 - ▶ local tax is allocated directly to jurisdiction of first use.



Local Use Tax vs. District Use Tax

- ▶ Distribution of Local Use Tax and District Use Tax should be similar.
- ▶ Place of use dictates the allocation of both local and district use tax.
 - ▶ Allocated to registered location where possible
 - ▶ Allocated to county or statewide pool when it is not possible to associate transaction with a registered location



Changes in Tax Rates

- ▶ District Taxes approved locally
 - ▶ 1/8% to 1% increments
 - ▶ Provision for fixed price contracts
 - ▶ Distributed to district
- ▶ With the unwind of the Triple Flip, the statewide tax rate will not change



Changes to the Tax Base

- ▶ The Board should be notified of significant changes to the tax base for your jurisdiction. To facilitate adjustments to advances, please provide the following information:
 - ▶ Taxpayer's Names
 - ▶ Sales Tax Account Numbers (if available)
 - ▶ Location Addresses
 - ▶ Starting or Ending Dates



City and County Media

- ▶ Data is available for Download and includes:
 - ▶ Monthly Registration Changes
 - ▶ Monthly Allocation Data
 - ▶ Complete List of All Taxpayers registered in a given jurisdiction “Start Up Deck” Available once a year at no cost
 - ▶ AB 990 Statewide Registration File
 - ▶ Contact your District office to Register
 - ▶ Request Forms for Media (See exhibit E, Publication 28)
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Publication 28

- ▶ Provides General Information regarding issues of interest to local jurisdictions such as:
 - ▶ Local Tax Allocation Procedures
 - ▶ Media Information
 - ▶ Advance Calculations
 - ▶ Process for submitting “Claimed Incorrect Distribution of Local Tax” forms
 - ▶ Contact Information for Assistance
 - ▶ Board of Equalization
 - ▶ State Controller’s Office
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Special Programs e.g. SCOP

- ▶ BOE staff canvassing businesses within selected areas to identify sellers that don't hold permits
 - ▶ BOE staff is checking for compliance with program requirements for other tax programs administered by BOE
 - ▶ BOE staff is also checking for local business license and making referrals to local jurisdictions
 - ▶ Notice provided to businesses registered with BOE 30 days prior to canvassing
 - ▶ News releases also provided where possible
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Local Revenue Services

- ▶ Publication 28
- ▶ Warrant Desk
 - ▶ Telephone: 916-324-1386
- ▶ Control Desk
 - ▶ Telephone: 916-324-1371
- ▶ Advance Desk
 - ▶ Telephone: 916-327-7133
- ▶ Media Desk
 - ▶ Telephone: 916-324-1218



Contact Local Revenue

- ▶ Construction Contracts
- ▶ New District Taxes
- ▶ MTS



Triple Flip Unwind

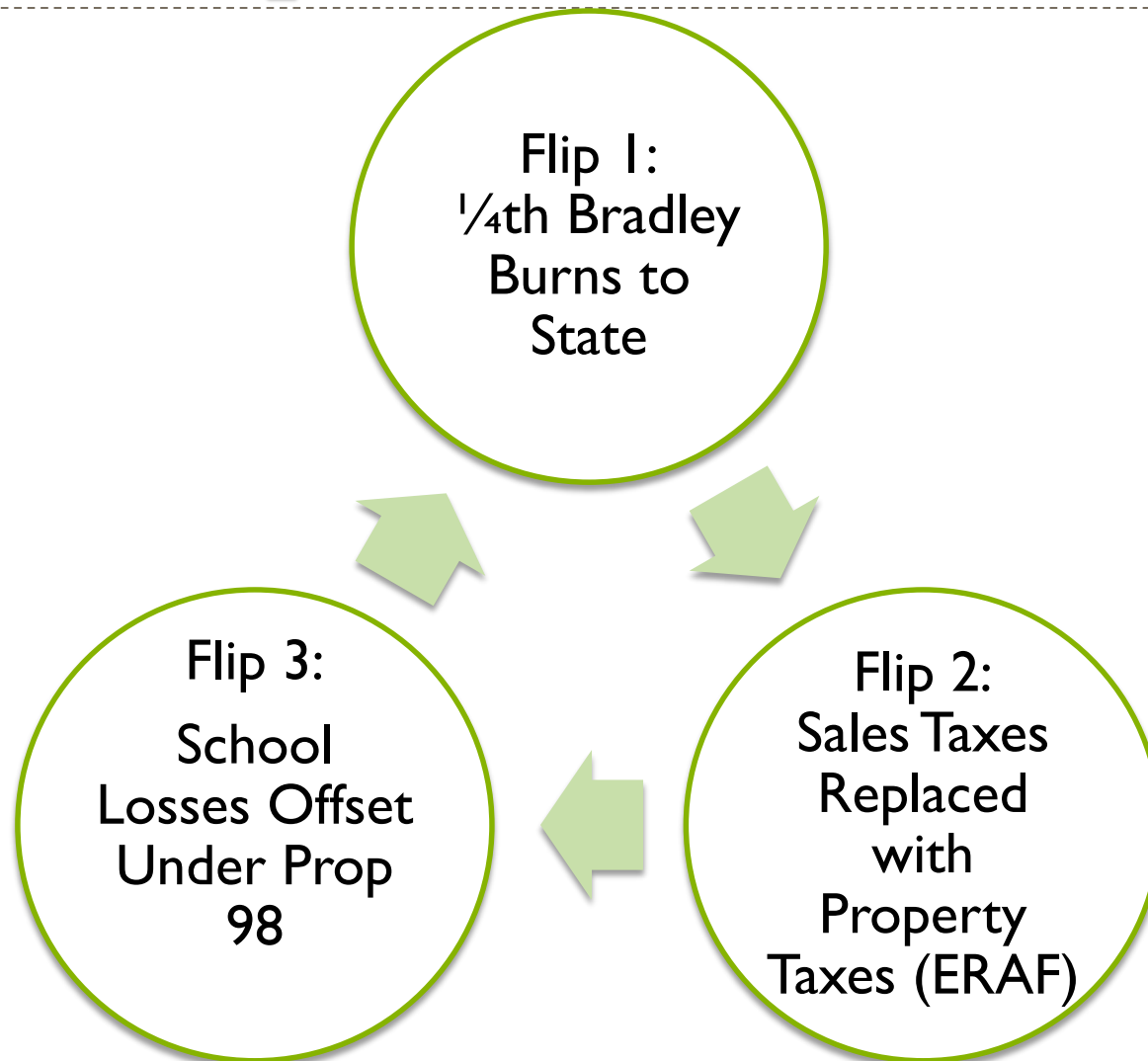
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Local Revenue Allocation Unit

History of the Triple Flip

- ▶ Proposition 57 in 2004
- ▶ California Economic Recovery Act
 - ▶ State Budget Deficit
- ▶ \$15 Billion in Bonds
 - ▶ 11.4 Billion Bonds Issued in 2004
 - ▶ 3.3 Billion Bonds Issued in 2008
- ▶ In Effect Until Bond Obligations Satisfied
- ▶ Bradley-Burns Decreased
 - ▶ Return to Full 1% on January 1, 2016



Triple Flip Mechanics



Unwind Timeline

- ▶ Final Closeout of Triple Flip in May/June 2016
- ▶ Final Payments Anticipated June 2016
- ▶ Warrants Issued Directly



Unwind Timeline

- ▶ February Payment
 - ▶ Net of Triple Flip
- ▶ March Payment
 - ▶ 4Q I5 Clean Up and Net of Triple Flip
 - ▶ 1st Advance of IQ and No Triple Flip
- ▶ Subsequent Payments at Full 1%
- ▶ Reports
 - ▶ 4Q I5 Local Tax Distribution Report



Unwind Timeline

- ▶ January advance payment – November collections
 - ▶ Triple Flip
 - ▶ Clean-Up payment will also have Triple Flip
- ▶ March advance payment – January collections
 - ▶ No Triple Flip in advance payment
 - ▶ Clean-Up payment **will** have Triple Flip
- ▶ Final true-up
 - ▶ December 2017



Links on the Triple Flip

► History:

- http://www.lao.ca.gov/ballot/2004/57_03_2004.htm
- <https://www.boe.ca.gov/news/pdf/sn-TripleFlip.pdf>

► Unwind:

- <http://www.lao.ca.gov/LAOEconTax/Article/Detail/55>
- <http://www.californiacityfinance.com/TripleFlipUnwind150225.pdf>
- <https://www.hdlcompanies.com/index.aspx?page=100>



Questions On Triple Flip

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